



Donor-Advised Funds

Generally, a donor advised fund is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a *sponsoring organization*. Each account is composed of contributions made by individual donors. Once the donor makes the contribution, the organization has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account.

The IRS is aware of a number of organizations that appeared to have abused the basic concepts underlying donor-advised funds. These organizations, promoted as donor-advised funds, appear to be established for the purpose of generating questionable charitable deductions, and providing impermissible economic benefits to donors and their families (including tax-sheltered investment income for the donors) and management fees for promoters.

Examinations of these arrangements may result in the following Service actions in appropriate cases: (a) disallow deductions for charitable contributions under Internal Revenue Code section 170 for payments to the fund; (b) impose [section 4966 excise taxes](#) on sponsoring organizations and managers of donor-advised funds; (c) [impose section 4958 excise taxes](#) on donors or managers of donor advised funds; and/or (d) deny or revoke the charity's 501(c)(3) exemption.

Additional information

- [New Requirements for Donor-Advised Funds](#)

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